

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 24, 1995

SUBJECT: **SB 1125 - HB 1029**

This bill, if enacted, defines key terms used to amend the Bank Structure Act and authorizes Interstate Branching.

- defines *home state*, with respect to a national bank, as the state in which the main office of the bank is located; with respect to a state bank, the state by which the bank is chartered; and with respect to a holding company, the state in which the total deposits of all banking subsidiaries of such company are the largest on the later of (1) July 1, 1966; or (2) the date on which the company becomes a bank holding company under the Federal Bank Holding Company of 1956.
- defines *interim bank merger* as a technique by which a new bank charter is obtained solely for the purpose of merging an existing bank into the bank for which the charter is sought, or solely for the purpose of merging the bank for which the charter is sought into an existing bank; the technique is a transaction intended to qualify the exchange of stock between the bank holding company and the stockholders of the existing bank as a reorganization.
- a Bank must have been in operation for at least five years in order of to be acquired by a bank holding company or be merged with another bank.
- allows banks, whether affiliated or not, to act as agent for other banks for the receipt of deposits, renewal of time deposits, closing of loans, servicing of loans, and receipt of payments on loans and other obligations without being considered a branch of the other bank.
- provides that effective June 1, 1997 the date established by the Riegle-Neal Act for interstate branching to take effect and permits Tennessee chartered banks to branch anywhere in Tennessee and anywhere else permitted by law. Tennessee chartered banks must obtain approval from the Commissioner of Financial Institutions prior to establishing a branch, branch office or other branch facility at which deposits may be accepted. Out-of-state banks may establish a branch in Tennessee by merging or consolidating with a Tennessee-chartered bank or a national bank which has its main office located in this state.
- provides that only a depository institution, or wholly-owned subsidiary may own, establish or operate one or more electronic cash dispensing devices located or to be located in this state or engage in an electronic fund transfer for a customer located in Tennessee.

- provides that nothing in this bill shall be deemed or construed so as to permit interstate branching, either into or out of Tennessee, prior to June 1, 1997, nor shall this bill be deemed or construed to permit, after June 1, 1997, any out-of-state bank to branch into Tennessee by any means other than by merger or consolidation with a Tennessee bank, or to affect or restrict in any way the application of the deposit concentration limits established by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

The fiscal impact from enactment of this bill is estimated to be an increase in first year state expenditures of approximately \$10,000 for enforcement of the ceasing of operation of electronic cash dispensing devices; and a recurring increase in state expenditures of \$1,000 the second year as a result of ongoing monitoring and enforcement.

Enactment of this bill is estimated to result in a decrease in state revenue as a result of a shift in the number of state chartered institutions which fund the Department of Financial Institutions through the banking fee assessment, to the extent that Tennessee banks which are owned by out of state bank holding companies are merged with and into their out of-state-affiliates and an increase in revenues to the extent that out-of-state obtain a charter in Tennessee. A reasonable estimate of the decrease or increase in revenues would depend on the number of state chartered institutions that would shift, affecting fees collected. The net impact on revenues cannot be determined but is estimated not to be significant.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director